



News from
U.S. Congressman

Gil Gutknecht

First District, Minnesota

What the Tax Bill Means to YOU

HR 2 - The Jobs and Growth Act of 2003 makes changes to the Internal Revenue Code as outlined below:

PROVISION	HOUSE	CONFERENCE REPORT
Child Tax Credit	Accelerate Child Tax Credit to \$1,000 for 2003 through 2005	Accelerate Child Tax Credit to \$1,000 for 2003 and 2004
10-Percent Bracket Expansion	Accelerate 10-percent Bracket Expansion for 2003 through 2005 so as to cover first \$7,000 of income for singles and \$14,000 for joint filers	Accelerate 10-percent Bracket Expansion for 2003 and 2004 so as to cover first \$7,000 of income for singles and \$14,000 for joint filers
Marriage Penalty	Accelerate Marriage Penalty Relief (setting 15% bracket and standard deduction at twice the level of single filers) for 2003 through 2005	Accelerate Marriage Penalty Relief (setting 15% bracket and standard deduction at twice the level of single filers) for 2003 and 2004
Individual Rate Reductions	Accelerate Individual Rate Reductions scheduled for 2004 and 2006 resulting in final rates for 2003 or 25%, 28%, 33% and 35% as opposed to the current rates of 27%, 30%, 35% and 38.6%	SAME
Individual AMT Exemption	Increase Individual AMT Exemption by \$7,500 for singles and \$15,000 for joint filers for 2003 and 2004	Increase Individual AMT Exemption by \$4,500 for singles and \$9,000 for joint filers for 2003 and 2004
Bonus Depreciation	Increase Bonus Depreciation from 30% to 50% and extend through December 31, 2005	Increase Bonus Depreciation from 30% to 50% for acquisition between May 5, 2003 and December 31, 2004
Small Business Expensing	Increase Small Business Expensing (Section 179) cap from \$25,000 to \$100,000 and increase definition of small business from \$200K to \$400K for 2003 through 2007	Increase Small Business Expensing (Section 179) cap from \$25,000 to \$100,000 and increase definition of small business from \$200K to \$400K for 2003 through 2005

Net Operating Loss	Extend the 5-year Net Operating Loss carryback for 2003 through 2005 and holds taxpayer harmless under AMT	Not Included
Capital Gains and Dividends	Reduce the personal capital gains tax rate to 15% and 5% (from 20% and 10%) and tax dividends dispersed from domestic corporations on the personal side at the new capital gains rate	Reduce the personal capital gains tax rate to 15% and for those in the two lowest tax brackets 5% (from 20% and 10%) through 2007 and 15% and 0% for 2008 and tax dividends dispersed from domestic and qualified foreign corporations on the personal side at the new capital gains rate. Sunsets the provisions at the end of 2008.
State Fiscal Relief	Not Included	\$20 Billion - \$10 billion for FMAP (Medicaid) and \$10 billion spread over 2003 and 2004 for states disbursed based on population. States may use the funds for unfunded mandates or to "provide essential government services."
Corporate Tax Date Shift	Shift 52% of taxes dues in September 2003 (FY 2003) to October 2003 (FY 2004)	Shift 25% of taxes dues in September 2003 (FY 2003) to October 2003 (FY 2004)

NOTE: The Conference Report does not include any of the tax or fee increases proposed by the Senate nor does it include any of the targeted tax or Medicare proposals added by the Senate.

Administration Position

The Administration has indicated that it supports the Conference Report for HR 2.

Cost to Taxpayers

It is estimated that the Conference Report for HR 2 will reduce taxes on Americans by approximately \$320 billion over the period 2003 - 2013, increase outlays from refundable credits by approximately \$9 billion over the same period and result in \$20 billion in new spending over the same period, for a total budgetary impact of \$350 billion.

Does the bill create new federal programs or rules?

Yes, the bill creates a new temporary state fiscal relief program.

Constitutional Authority

The Ways and Means Committee cites Article I of the Constitution, Section 8 ('The Congress shall have Power To lay and collect Taxes, Duties, Imposts and Excises...'), and the 16th Amendment to the Constitution as providing the authority to enact this legislation.